THE BOMBAY LOCAL FUND AUDIT ACT, 1930 (BOM. XXV OF 1930).

G. N., G. D., No. 7679, dated 23rd March 1931 (B. G., Pt. I, p. 666). S. 4

In exercise of the powers conferred by section 4 of the Bombay Local Fund Audit Act, 1930 (Bom. XXV of 1930), the Government of Bombay is pleased to declare that the accounts of the following local authorities shall be subject to audit under the said Act, viz. :—

(1) Taluka Local Boards,
(2) District Local Boards,
(3) Municipalities, and
(4) School Boards constituted under the Bombay Primary Education Act, 1923.

G. N., G. D., No. 7679, dated 11th December 1931 (B. G., Pt. I-A, p. 355). S. 15 Bombay Local Fund Audit Rules, 1931.

Amended by G. N., G. D., No. 7679, dated 1st September 1932.
Amended by G. N., G. D., No. 7679, dated 6th March 1934.
Amended by G. N., G. D., No. 9270, dated 4th February 1935.
Amended by G. N., G. D., No. 1384/33, dated 1st July 1938.

In exercise of the powers conferred by section 15 of the Bombay Local Fund Audit Act, 1930 (Bom. XXV of 1930), the Government of Bombay is pleased to make the following rules for the audit of accounts of the local authorities whose accounts are declared to be subject to audit under the said Act :—

1. *Short title.*—These rules may be called the Bombay Local Fund Audit Rules, 1931.

2. *Definitions.*—In these rules—
(*a*) " Act " means the Bombay Local Fund Audit Act, 1930.
(*b*) " A special audit " means an audit of accounts pertaining to a specified item or series of items requiring thorough examination.
(*c*) " A detailed audit " means an audit of accounts for the whole year.
(*d*) Expressions which have been defined in the Act shall have the same meaning assigned to them unless the context requires a different interpretation.

3. *Audit of accounts of local authorities by auditors.*—The accounts of the local authorities whose accounts are subject to audit under section 4 of the Act shall be audited by auditors of the Local Audit Department, who are hereby appointed to be auditors under section 3 (*a*) of the Act, under the direction and control of the Examiner :

Provided that nothing in this rule shall prevent the Examiner from carrying out himself an inspection or audit of accounts of any local authority at his discretion.

4. *Requisitions under section 6 to be sent by registered post or by messenger.*—The requisitions referred to in clauses (*a*) and (*b*) of sub-section (*1*) of section 6 of the Act shall be made by the auditor and shall be sent to the Chief Officer or Administrative Officer, as the case may be, or, in his absence, to the Secretary or other head of the ministerial establishment of the local authority by registered post or messenger. If the requisition is sent by messenger an acknowledgment from the officer concerned with the date of receipt shall be obtained in the transit book in Form No. 1 appended to these rules.

5. *Invitations to be sent in the form of a letter.*—The invitations which an auditor may issue in pursuance of clause (*c*) of sub-section (*1*) of section 6 of the Act to honorary officers or members of a local authority shall be in the form of a letter addressed to such officer or member ; a copy of every such letter shall be retained in the case file. The invitation shall be sent either by registered post or by messenger and in the latter case an acknowledgment duly signed by him and dated shall be obtained in the transit book in Form No. 1 appended to these rules.

6. *Failure to comply with requisition to be reported to the Collector.*—If a requisition under clause (*a*) or (*b*) of sub-section (*1*) of section 6 is not complied with within the period specified in the requisition, the auditor shall report the failure to the President or the Chairman of the local authority as the case may be, and if the requisition is not then complied with within the next three days thereafter, he shall send the papers to the Collector, with a brief statement of facts, for further action. A copy of such communication shall be forwarded simultaneously to the Examiner.

7. *Notice of date of commencement of audit to be given by the Examiner to President or Chairman.*—Notice of the date of the commencement of the audit under sub-section (*3*) of section 6 of the Act shall be given by the Examiner to the President or the Chairman of the local authority, as the case may be, and shall be issued in Form 2 appended to these rules.

8. *Auditor to conduct audit during office hours.*—Except in cases where the Examiner, in consultation with the head of the office of the local authority, decides otherwise, the auditor shall, for the purpose of conducting audit, attend at the head office of the local authority during office hours.

9. *Local authority to make suitable arrangements to enable auditor to hold office.*—The local authority shall make suitable arrangements to enable the auditor to hold his office for conducting audit.

10. *Auditor not to remove any document without the permission of the head of the office.*—The auditor shall not, without the previous permission in writing of the head of the office of the local authority whose accounts are being audited or of any person authorised by him in this behalf, remove from such office any books, vouchers or documents of any kind whatsoever, except that if in case of fraud or for other good reason he thinks it absolutely necessary to keep the document in his possession, he may do so after passing a receipt therefor and shall at once report the matter to the Examiner.

11. *Auditor not to correspond direct with President, Vice-President or Chairman of local authority.*—The auditor shall not correspond direct with the President of Vice-President or Chairman or Vice-Chairman of the local authority whose accounts are being audited by him except for the purpose of reporting an embezzlement or for the purposes mentioned in sub-section (*1*) of section 6 of the Act or for the purposes of rule 7 or rule 17.

12. *Accounts to be audited annually.*—The accounts of a local authority shall be audited annually in arrears and as far as possible before the close of the succeeding year.

13. *Accounts for complete financial year, preceding the date of audit to be ordinarily taken up for audit.*—Accounts for the complete financial year, or years, preceding the date of audit shall ordinarily be taken up for audit. The Examiner may, however, have the accounts audited up to date if, in his opinion, such audit is necessary in any particular case.

14. *Detailed audit how to be carried out.*—(*a*) The accounts of a School Board shall be audited in detail for the whole year. In the case of other local authorities a test audit of three months' accounts, selected at random shall ordinarily be carried out. The accounts for the month of March shall necessarily be included in the three months' accounts to be selected for detailed audit. The test audit of three months' accounts shall include a general review of the accounts of the remaining nine months.

(*b*) In the case of the public works accounts of a local authority a few works shall be selected for detailed audit with connected papers irrespective of the months in which the bills for those works may have been paid.

15. *Detailed audit for whole year or special audit to be taken up at discretion of Examiner or when requested by Collector or Commissioner.*—A detailed audit of the accounts of a local authority for the whole year or a special audit may be taken up at the discretion of the Examiner if such a course appears to him to be necessary in any case. The Collector or the Commissioner may, in special circumstances, request the Examiner to arrange for a special audit or a detailed audit of the accounts of a local authority for any period.

16. *Auditor to verify cash balances, etc., during audit.*—The auditor shall during the audit verify the cash balances, securities held by a local authority or by any of its officers or servants on its behalf and also the postage stamps and the stock of printed forms kept for issue of receipts for payments received.

17. *All enquiries and remarks to be communicated through objection statements.*—All enquiries which it is necessary for the auditor to make and all remarks made by him during audit shall be made or communicated through an objection statement in Form No. 3 appended to these rules.

18. *Objection statements to be issued day by day under the dated signature of auditor.*—The auditor shall issue such objection statements over his dated signature day by day as the audit proceeds, and shall obtain an acknowledgment from the head of the office of the local authority, with the date of receipt entered in the transit book in Form 1 appended to these rules.

19. *Auditor to issue separate objection statements for each department.*—The auditor shall, as far as practicable, issue separate objection statements for each department of the local authority so that the department concerned may proceed to take action as soon as the objection statement is received.

20. *Objection statements to be returned with the least possible delay.*—The objection statements shall be returned, with the least possible delay, over the dated initials of the head of the office of the local authority together with either an explanation to the objection or a statement of the action taken or proposed to be taken to meet the objections raised and, where necessary, shall also contain replies to the enquiries made by the auditor.

21. *Auditor to reissue any item on which sufficient action has not been taken.*—On receipt of the replies to the points raised by the auditor he shall where necessary reissue for further action any items on which final or sufficient action has not been taken or on which the enquiries made have not been satisfactorily answered. Such reissues shall be marked as " Further Remarks " in the transit book in Form No. 1 appended to these rules.

22. *Objection statements to be returned to auditor within three days before the close of audit.*—All objection statements shall be returned to the auditor within one to three days before the close of the audit, according as he may direct, irrespective of the question whether all the objections have been fully answered or not.

23. *Auditor to report fraud or embezzlement confidentially.*—When a fraud or an embezzlement is detected or may reasonably be inferred from any suspicious circumstances, or where any irregularity is noticed in the accounts, the auditor shall forthwith report confidentially the circumstances in writing to the President or Vice-President or Chairman or Vice-Chairman of the local authority concerned and also to the Examiner. When a fraud or embezzlement has been fully investigated by the auditor, he shall submit a complete report on the case to the Examiner, who shall send copies thereof either to the Director of Public Instruction in the case of School Boards or to the Commissioner and the Collector in the case of any other local authority and to the President, Vice-President, Chairman or Vice-Chairman of the local authority as the case may be : Provided, however, that where the President, Vice-President, Chairman or Vice-Chairman of a local authority is or are involved or suspected of being involved in any fraud or embezzlement, neither the preliminary nor the complete report shall be sent to any of these officers last mentioned.

24. *Result of audit to be recorded in the prescribed report and in Form 3.*—The result of each audit shall be recorded in the report prescribed by section 8 of the Act and except in the case of School Boards also in the objection statement in Form No. 3 appended to these rules. The report shall be as concise as possible but shall contain all the relevant facts and shall, as far as possible, be confined to the points mentioned in clauses (*a*) to (*d*) of section 9 of the Act.

25. *Objections admitted and questions settled to be noted in report only under certain circumstances.*—Objections admitted or questions settled during the course of audit shall be noted in the report only if the irregularity is of a serious nature, or if any defect in the system or error in principle which may have been brought to light has not been permanently removed.

26. *Auditor's report to be in two parts.*—(*a*) The report shall be in two parts namely, Part I—Previous Audit and Part II—Current Audit. Part I shall contain a brief summary of the remarks still requiring action or further action. Part II shall contain remarks relating to the current audit.

(*b*) The details of the vouchers or other documents which have a bearing on the remarks in the audit report shall be given in an appendix or appendices to the report together with reference to the paragraph or paragraphs of the audit report.

27. *Nature of details to be reported.*—The auditor shall—

(*a*) state in the first paragraph of the report the date on which the audit was taken up, the date when it was completed, and the months which were selected for the detailed audit ;

(*b*) give in the opening paragraph of Part II of the report on the accounts of a municipality a statement of assets and liabilities indicating the financial position of the municipality concerned with a brief resume of its financial condition. Fixed assets, such as land, buildings, plant and machinery, shall be excluded from

the statement, and only liquid assets, such as cash balance in hand or in the Treasury or Bank, investments, advances and outstanding rents, rates, and such liabilities as unspent balances of earmarked grants or revenues, contributions payable, deposits and unpaid bills, should be included therein ;

(*c*) state whether money borrowed on the security of allocated revenues or received as a grant from Government or other sources for any specific purpose has been expended on such purpose ;

(*d*) state where a sinking fund has been prescribed, whether it is being properly kept up ;

(*e*) state whether all advances and investments by the local authority are fully secured ;

(*f*) state in detail all loans contracted by the local authority and also state whether the prescribed provision has been made for the repayment of the principal and interest out of the revenues of the local authority ;

(*g*) certify, where separate accounts for any undertaking have to be maintained, whether they have been so maintained and whether the accounts present a true and correct view of the results of the undertaking for the period under audit ;

(*h*) certify as to the correctness of the annual account ;

(*i*) give at the end of the report a brief resume of the matters dealt with in the report and conclude with an opinion on the state of the accounts as a whole ;

(*j*) append to his report—

(1) a statement showing the arrears of taxes at the end of the year and the two preceding years in the case of local authorities which impose taxes ;

(2) a statement of accounts for the year showing under the head " receipts"—

(*i*) the revenue from direct taxes,

(*ii*) the revenue from indirect taxes,

(*iii*) income from properties,

(*iv*) income from miscellaneous sources,

(*v*) Government grants,

(*vi*) extraordinary items of revenue, and

(*vii*) debts, deposits and advances, and under the head " expenditure "—

(1) ordinary expenditure,

(2) capital expenditure,

(3) extraordinary expenditure, and

(4) debts, deposits and advances ;

and

(3) in the case of School Boards, statements, in such forms as may be laid down by Government from time to time—

(*i*) showing the gross expenditure, amount disallowed and the net amount admitted for grant under several heads ;

(*ii*) setting forth items disallowed for Government grant with reasons therefor ;

(*iii*) giving the figures of receipts under several heads ;

(*iv*) containing miscellaneous objections which do not affect Government grant ;

(*v*) showing the amounts to be recovered from Non-Local Authority Municipalities (to be appended to the audit reports only in the case of School Boards of District Local Boards) ; and

(*vi*) showing the details of the Datum Line expenditure and grant in respect of the administrative, supervising, clerical and menial staff on whose account a grant is to be paid on datum line conditions (to be appended to the audit reports only in the case of School Boards of District Local Boards).

28. *Objection Statement to contain remarks on technical irregularities, etc.*—The objection statement in Form No. 3 appended to these rules shall contain remarks on technical irregularities, defects and omissions in accounts and registers and objections relating to individual items of receipts or payments.

29. *Final objection statement to be in two parts.*—The final objection statement shall also be in two parts. Part I shall show items relating to the previous audit on which action or further action is necessary, and Part II shall contain items relating to the current audit.

30. *Copies of audit notes on the accounts of School Boards to be submitted to Government.*—Copies of audit notes on the accounts of School Boards of local authorities under the Bombay Primary Education Act, 1923, shall be submitted to Government for their information.

31. *Explanation of President or Chairman to be sent in triplicate.*—Explanations to the audit report to be furnished to the Examiner by the President or Chairman of a local authority under sub-section (*1*) of section 10 of the Act shall be sent in triplicate :

Provided that, in the case of School Boards, a copy of the explanation sent by the Chairman of the School Board to the Examiner shall be sent to the President of the District Local Board or the Municipality, as the case may be, who may submit his remarks, if any, to the Examiner within a fortnight of receipts by him of the explanation.

32. *Defalcation or loss in money or stores to be reported by the President or Chairman of local authority.*—Whenever any defalcation or loss in money or stores is discovered, the fact shall be promptly reported by the President or Chairman of the local authority to the Examiner and to the Collector, and in the case of School Boards to the Director of Public Instruction also, giving in detail the circumstances which led to such defalcation or loss. The Examiner shall then consider whether such loss was due to any fault in the system and, if so, shall issue the necessary instructions. In every other case he shall direct that a special audit be made.

Note.—Nothing in this rule shall prevent the institution of criminal proceedings against any person, suspected of or involved in any defalcation or loss of money or stores should such a course be considered advisable.

33. The local authorities (except the School Boards constituted under the Bombay Primary Education Act, 1923) shall maintain their accounts in Forms Nos. 4 to 7 appended to these rules.

34. Without the previous approval of Government, no local authority shall introduce any new form or make any variation or alteration in any of the forms sanctioned.

FORM No. 1.

(*See* Rules 4, 5, 18 and 21.)

Transit Book of the *Circle.*

Date.	Description of documents sent.	To whom sent.	Dated initials of		Date of return.	Initials of S. A.	Remarks.
			S. A.	Receiving Officer.			

FORM No. 2.

(*See* Rule 7.)

S. Y. 330.

Office of the

Station

No.

Date

Memo.

will take up the audit of the accounts of the under the provisions of the Local Fund Audit Act (Bom. XXV of 1930) on or about the
It is requested that he may be afforded the usual facilities in carrying out his work.

2. It will greatly facilitate work and reduce subsequent correspondence if you will kindly arrange that the objections noted by the auditor are taken up promptly for settlement.

(*Signature.*)

(*Designation.*)

FORM No. 3.

(*See* Rules 17, 24 and 28.)

S. Y. 337. **Page**

Audit Objection Statement on the Accounts of *for*

Date of transaction and number of voucher.	Particulars of transaction.	Objection or suggestions.	Reply of Local Authority or Head of the Office.	Notes of admission or further remarks by Auditor.	Further explanation by Local Authorities or Head of the Office.	Final remarks of Auditor.

[For the use of Municipalities and Notified Area Committees only.]

FORM No. 4.

(*See* Rule 33.)

GENERAL CASH BOOK FOR THE $\frac{\text{MUNICIPALITY}}{\text{NOTIFIED AREA COMMITTEE}}$ OF

Dr. *Cr.*

Month and date of Receipt.	Serial No.	Particulars of Receipts.		Head of Account.	Amount.	Daily total with balance.	Date of Payment.	Voucher No.	Particulars of Payments.		Head of Account.	Amount.	Daily total with balance.
		From whom received.	On what account.						To whom paid.	On what account.			
1	2	3	4	5	6	7	8	9	10	11	12	13	14

[For the use of District and Taluka Boards only.]

FORM No. 5.

(*See* Rule 33.)

GENERAL CASH BOOK FOR THE DISTRICT / TALUKA BOARD.

Receipts.

Month and date.	Reference to classified Abstract.	Particulars of receipts and from whom received.	Serial Number of receipt and Challan	Amount.	Total.	Remitted to Treasury or Bank.	
						Number and date of Challan.	Amount.
1	2	3	4	5	6	7	8

Expenditure.

Month and date.	Reference to classified. Abstract.	Particulars of charges and to whom paid	Number of cheque.	Serial Number of Disbursement Voucher.	Amount.	Total.
9	10	11	12	13	14	15

[For the use of District and Taluka Boards only.]

FORM No. 6.
(*See* Rule 33.)

CLASSIFIED REGISTER OF $\frac{\text{RECEIPTS}}{\text{PAYMENTS}}$ OF $\frac{\text{DISTRICT}}{\text{TALUKA}}$ FOR THE YEAR 19 -19 .

Month and date.	Number of Challan or Voucher.	Minor Heads and Sub-heads.				Total.	Initials of Accountant and Chief Officer.
	Budget Provision.						

Month and date.	Number of Challan or Voucher.	Minor Heads and Sub-heads.				Total.	Initials of Accountant and Chief Officer.
	Budget Provision.						

[For the use of Municipalities and Notified Area Committees only.]

FORM No. 7.

(*See* Rule 33.)

CLASSIFIED REGISTER OF $\frac{\text{RECEIPTS}}{\text{PAYMENTS}}$ FOR THE $\frac{\text{MUNICIPALITY}}{\text{NOTIFIED AREA COMMITTEE}}$ OF

Head of Accounts (as in model budget.)	Budget Grant.	Dates.

Dates

Dates.	Total for the month.	Total up to the end of previous month.	Progressive total.